

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Health Care Finance



Fiscal Year 2023
Budget Oversight Hearing

Testimony of
Wayne Turnage
Deputy Mayor for Health and Human Services
and
Director, Department of Health Care Finance

Before the
Committee on Health
Council of the District of Columbia
The Honorable Vincent C. Gray, Chairperson

March 28, 2022
10:00 A.M.
Virtual Meeting Platform
The John A. Wilson Building
1350 Pennsylvania Avenue NW
Washington, DC 20004

Good morning, Chairman Gray, and members of the Committee on Health. I am Wayne Turnage, Deputy Mayor for Health and Human Services (DMHHS) and Director of the Department of Health Care Finance (DHCF). It is my pleasure today to report on Mayor Muriel Bowser's Fiscal Year 2023 (FY2023) Fair Shot Budget and Financial Plan for DHCF. I am joined by DHCF staff who were key in developing the agency's budget proposal for the Mayor's consideration.

As I often note, DHCF has one of the more complex budgets in the District and the team involved in crafting proposals is without peer in terms of their excellence and commitment to what we do. Much of the work in formulating a proposal for the Mayor's consideration was conducted by members of my Executive Management Team, which includes both my Deputy Director for Medicaid, Melisa Byrd, and our Deputy Director of Finance, Angelique Martin. The comprehensive data analytical work was spearheaded by senior staff member and Director of Data Analytics, April Grady. The work of April and her exceptional team of analysts was complimented by Darrin Shaffer, our Agency Fiscal Officer, along with members of his talented staff. Their collective efforts have been instrumental in producing this budget.

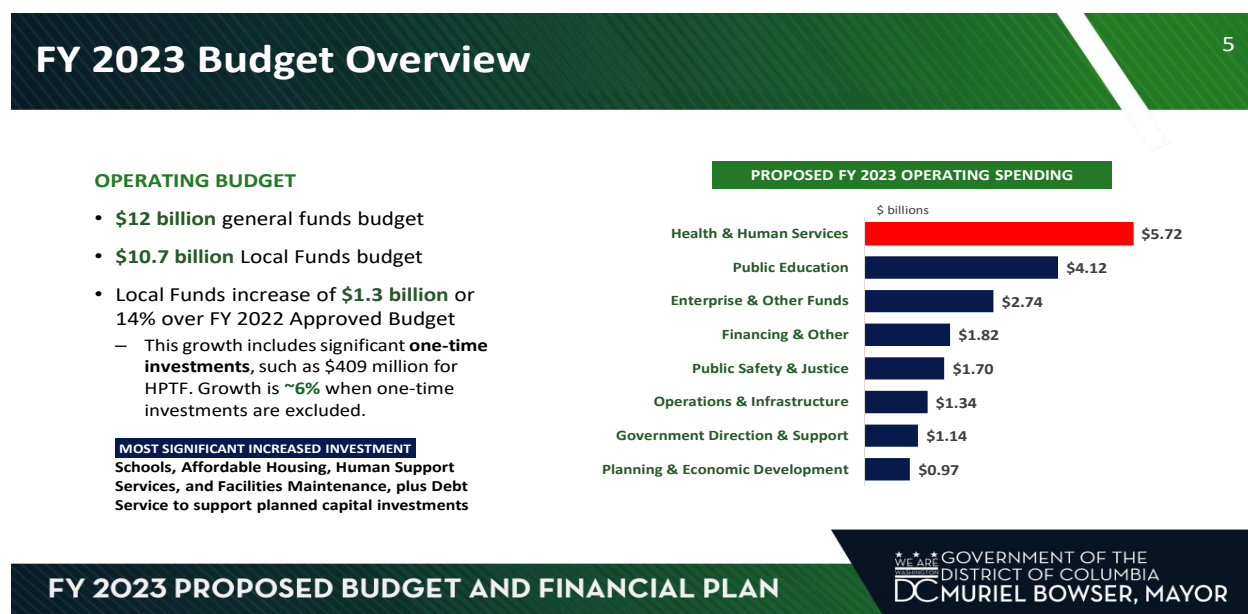
Introduction

As Mayor Muriel Bowser noted in her March 16, 2022, presentation to the Council, her FY2023 budget proposal is a "recovery budget"—one that offers a sweeping plan to fund initiatives that will allow the District to recover from a two-year pandemic that drained jurisdictions around the country of the resources necessary for sustained growth and prosperity. Now, the city is clearly perched on the precipice of a strong recovery. To wit, unemployment has declined to 5.8%, consumer spending is up by 7.3%, and the restaurant industry—always a leading indicator of the District's economic fortunes—has seen its revenue losses slow from -49% in the early days

of the pandemic to -20% today. While the industry still has room to grow, these metrics are moving in a favorable direction.

So, with significant federal support and a surging DC economy, the Mayor has proposed a FY2023 budget that is built on a record \$19.55 billion in total operating dollars. As was the case in 2021, rather than have the normal budget town halls across multiple wards, the Mayor led a virtual process where Deputy Mayors outlined their cluster agencies' mission and goals, and then community members provided input through online voting. This process afforded communities across the city a window into the formulation process and the opportunity to voice their beliefs of how money should be allocated in the budget.

The Mayor's commitment to funding the health and human services agencies at levels necessary to ensure that all District residents have a "fair shot," is unchanged from previous years. Comprising nearly 30 percent of the proposed operating budget, the Mayor has allocated \$5.72 billion for FY2023 to a range of health and human services programs, the majority of which will fund health insurance coverage for more than 45 percent of District residents (see graphic below).

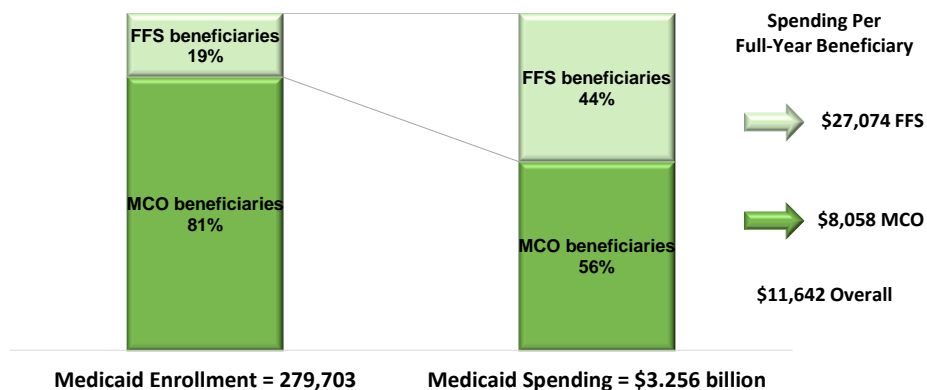


The Challenge In Building DHCF's FY2023 Budget

DHCF's FY2023 budget supports access to care through health insurance coverage for more than 45 percent of District residents—the highest enrollment in the agency's history. Recall that the agency is in year three of a five-year Medicaid Reform plan aimed at improving health outcomes so that District residents can live their best lives. The challenges of reform are complicated by DHCF's program structure. As shown below, DHCF has a bifurcated program of managed care and fee-for-service (FFS) beneficiaries. Of the nearly 280,000 Medicaid beneficiaries, 81% are fully enrolled in managed care, accounting for 56% of Medicaid spending—this amounts to \$8,058 per member. By comparison, the remaining 19% of FFS members, though smaller in number, disproportionately represent 44% of our total Medicaid spending, and on a per-member basis, are more than three times as expensive to insure. These differences must be accounted for as we pursue our Medicaid reform work.

Most Beneficiaries Are in Managed Care But Spending Is Substantial for Those Remaining Fee-For-Service

Medicaid Enrollment and Spending by Service Delivery Type, FY 2021



Source: DHCF Medicaid Management Information System (MMIS) data extracted in March 2022 for eligibility in FY 2021 and claims with dates of service in FY 2021.

Note: Enrollment reflects average monthly and spending per full-year beneficiary reflects the average cost over 12 months. Spending reflects DHCF payments for both capitation and any fee-for-service utilization. Excludes expenditures not attributable to individual beneficiaries (e.g., disproportionate share hospital payments).

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As we have discussed previously, our Medicaid reform efforts are guided by four strategic priorities:

1. Building a health system that provides whole person care;
2. Ensuring value and accountability;
3. Strengthening internal operational infrastructure; and
4. Public health emergency response, monitoring and closure.

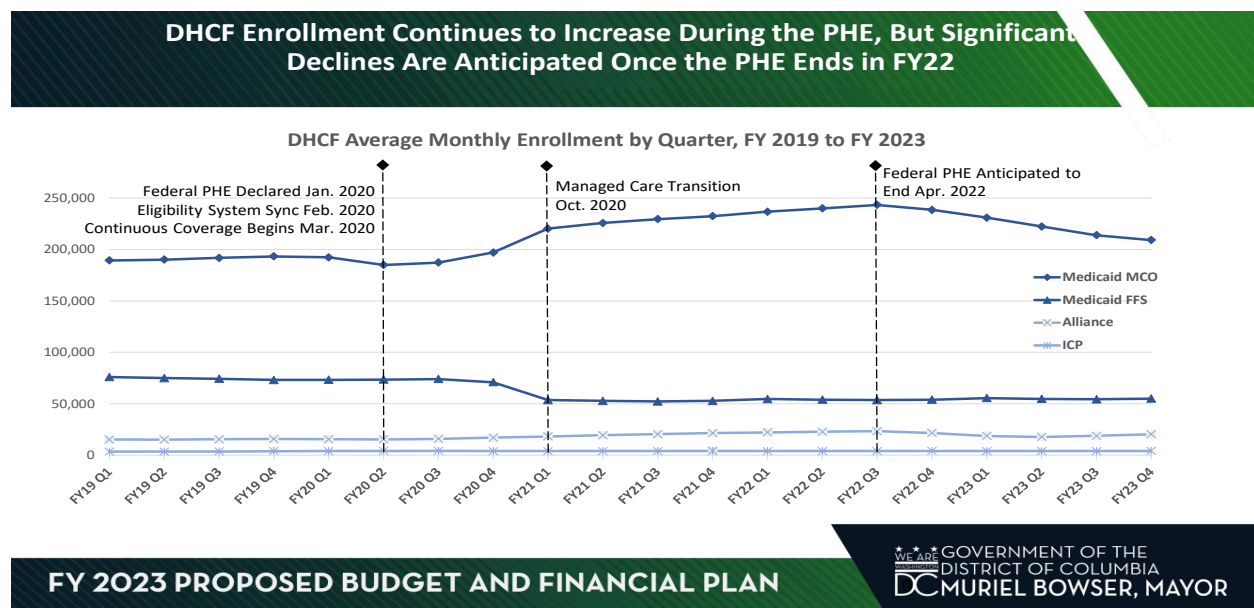
In addition to supporting ongoing reform efforts, the FY2023 budget must also address significant challenges facing the agency as we prepare to unwind from the federal public health emergency (PHE) and ensure continued access to services. Through the PHE, we must maintain continuous coverage in exchange for enhanced federal support. The enhanced federal support ends on the last day of the quarter in which the PHE terminates. Currently, the PHE is scheduled to end on April 14, 2022, and the enhanced federal funding will end at the end of that quarter on June 30, 2022. Renewals will start as early as July. This means we will carry higher enrollment levels for a number of months, largely without the benefit of the enhanced federal financial support.

So DHCF faces two challenges. First, we inherit the monumental task of returning to normal operations once the PHE concludes. Second, the health care system is struggling with unprecedented healthcare workforce shortages. Our goal, realized through this budget, is to ensure that District residents who are eligible for coverage, maintain enrollment while stabilizing the Medicaid provider network to ensure continued access to healthcare services. You will see that our proposed budget combines immediate and long-term financial investments to ensure stability in FY2023 and years to come.

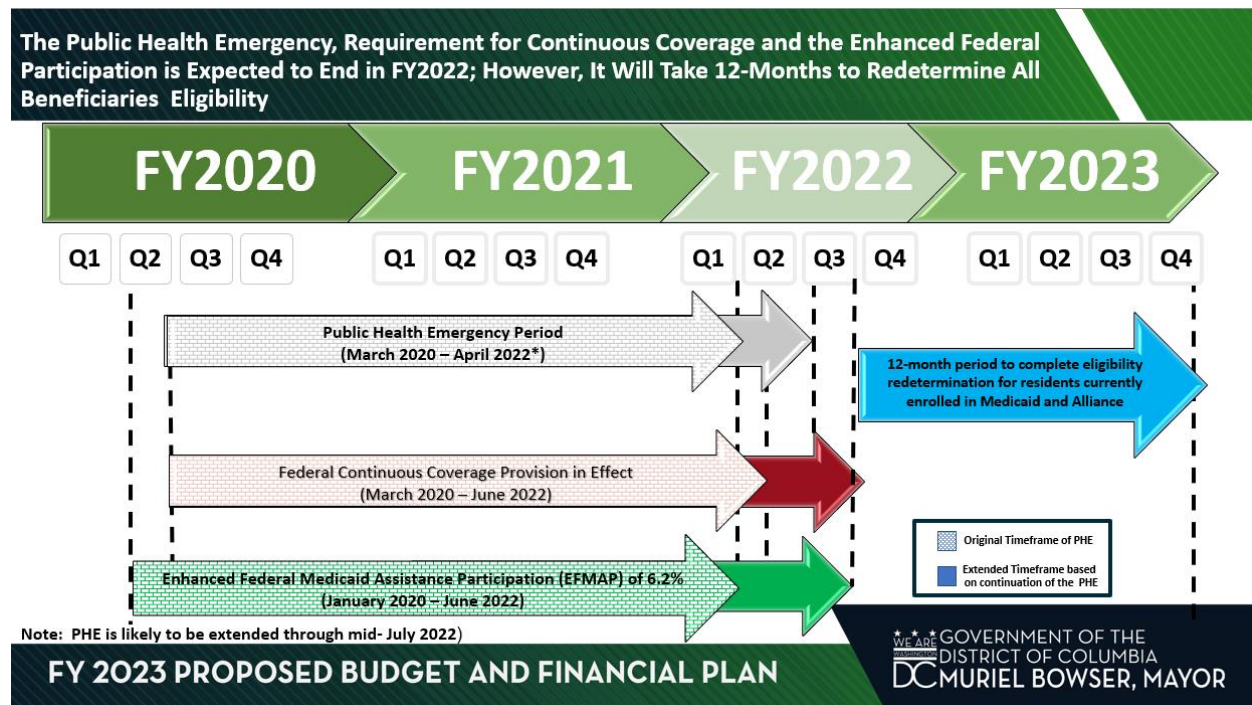
Capturing Enrollment Dynamics. When submitting DHCF's FY2022 budget a year ago, we predicted that after the federal PHE ends, a steep decline in the largest program within Medicaid

—managed care—would occur. We also expected that this decline would be accompanied by limited to no growth in the other programs. Accordingly, we anticipated an overall decline in expected enrollment, as the net effect of these adjustments. In the District, we have aligned Medicaid and Alliance on the same renewal schedule, therefore, we expect that following July of this year, the decline in enrollments for these two programs will begin.

The chart below illustrates the forecasted enrollment changes for each of our insurance programs—Medicaid managed care, Medicaid fee-for-service (FFS), Alliance, and the Immigrant Children’s Program (ICP). The most perceptible decline in monthly enrollments is anticipated for Medicaid managed care beginning in the 3rd Quarter of FY2022. There is virtually no predicted change in enrollment for Medicaid FFS. With respect to Alliance, we expect a slight decline in that program when renewal certifications resume, but virtually no change in ICP enrollment levels. Given that total Medicaid spending is a function of enrollment levels, beneficiary utilization, and provider payments, the dynamics created by the renewal process must be calibrated into the agency’s planned spending.



As shown by the graphic below, DHCF's budget proposal assumes the first renewals will be implemented at the end of June and then enrollment declines follow. Of course, if this end date is pushed out further, we will maintain the higher enrollment for a longer period, but this will create an upward pressure on the program's monthly cost that is not presently contemplated.



Chairman, for the remainder of my testimony today, I will focus on the agency's budget structure and the year over year changes in the key components that shape the agency's spending plan. In addition, I will report on the budget development process with special attention to how DHCF's proposed \$3.7 billion spending plan was constructed, including investments made by the Mayor in support of health care delivery in Ward 8.

DHCF's Budget Structure

DHCF has a complex budget structure which is supported by six funding types. The two funding types which pay for our largest expenditures are the federal Medicaid Entitlement Grant

and the agency's local fund source. Dedicated taxes, federal grants, intra-district funds, and special revenue funds complete the funding types.

The chart below shows each funding source, the proposed FY2023 budget amount and the year over year comparison from FY2022 to FY2023. Overall, the FY2023 budget increases by 1.4%, or \$52.1 million over the FY2022 approved budget. It is important to highlight the near 10% increase in local funds. This larger than usual increase was necessary to account for the end of the enhanced federal matching assistance percentage (FMAP) that was available in FY2022. Specifically, during the PHE, the District's FMAP increased from 70% to 76.2%, meaning the federal government paid 6.2% more towards the cost of the Medicaid program. The FY2023 budget assumes the District's standard FMAP of 70%.

DHCF's FY2023 Year Over Year Budget Increased By Only 1.4 Percent, But Local Dollars Had To Be Increased By 10% To Account For End Of Federal Enhanced Payments

Appropriated Fund		FY 2022 Approved Budget	FY 2023 Proposed Budget	YoY Budget Change	% Change
0100	Local	847,228,958	927,658,867	80,429,909	9.5%
0110	Dedicated Taxes	103,219,385	105,105,077	1,885,692	1.8%
0150	Federal Payments	2,000,000	2,000,000	-	0.0%
0200	Federal Grants	3,206,819	5,174,115	1,967,296	61.3%
0250	Federal Medicaid Payments	2,553,572,305	2,663,283,088	109,710,783	4.3%
0400	Private Grants	-	365,701	365,701	100.0%
0600	SPR Revenue (Type)	6,434,236	5,643,542	(790,694)	-12.3%
0700	Intra Districts	141,368,841	-	(141,368,841)	-100.0%
Grand Total		3,657,030,545	3,709,230,390	52,199,846	1.4%

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DHCF's proposed budget also reflects significant year over year increases in federal and private grants. First, DHCF was awarded a \$5 million federal Money Follows the Person (MFP) Capacity Building grant. The grant extends through FY2025 and will support existing efforts to

maintain and expand home and community-based long-term services, with an emphasis on person-centered service planning and delivery. This includes workforce development for home health providers, gap funding for environmental accessibility adaptations and assistive technology maintenance and repairs, funding for EPD (Elderly and Persons with Physical Disabilities) waiver case management system improvements, and outreach on HCBS (home and community-based services). Second, DHCf applied for a private grant to support outreach to District residents eligible for both the Medicaid and Medicare programs and their options for integrated care programs like Dual Choice and PACE.

DHCf's Budget Development Process

Mr. Chairman, at this point, I would like to discuss the budget development process for DHCf and illustrate the actions taken to shape our proposed FY2023 budget (see table below). DHCf began the process with a FY2022 recurring operating local fund budget of \$814.6 million. The amount was increased by \$37.7 million as a restoration adjustment to the agency's budget

How DHCf's Local Funds Budget Reached More Than \$927 Million

In millions

FY22 Recurring Budget	814,646,705
Adjustments Made During MARC Formulation	52,826,742
2% Reduction	(16,480,565)
FY2023 Revised Baseline	850,992,882
Budget Adjustments:	
Restoration of Agency Budget Reductions to Meet MARC	37,773,425
Additional Vacancy Savings	(930,581)
Total Restored of Proposed Budget Savings Initiatives	36,842,844
Mayor's Enhancements:	39,343,141
Final FY2023 Local DHCf Budget	927,178,867

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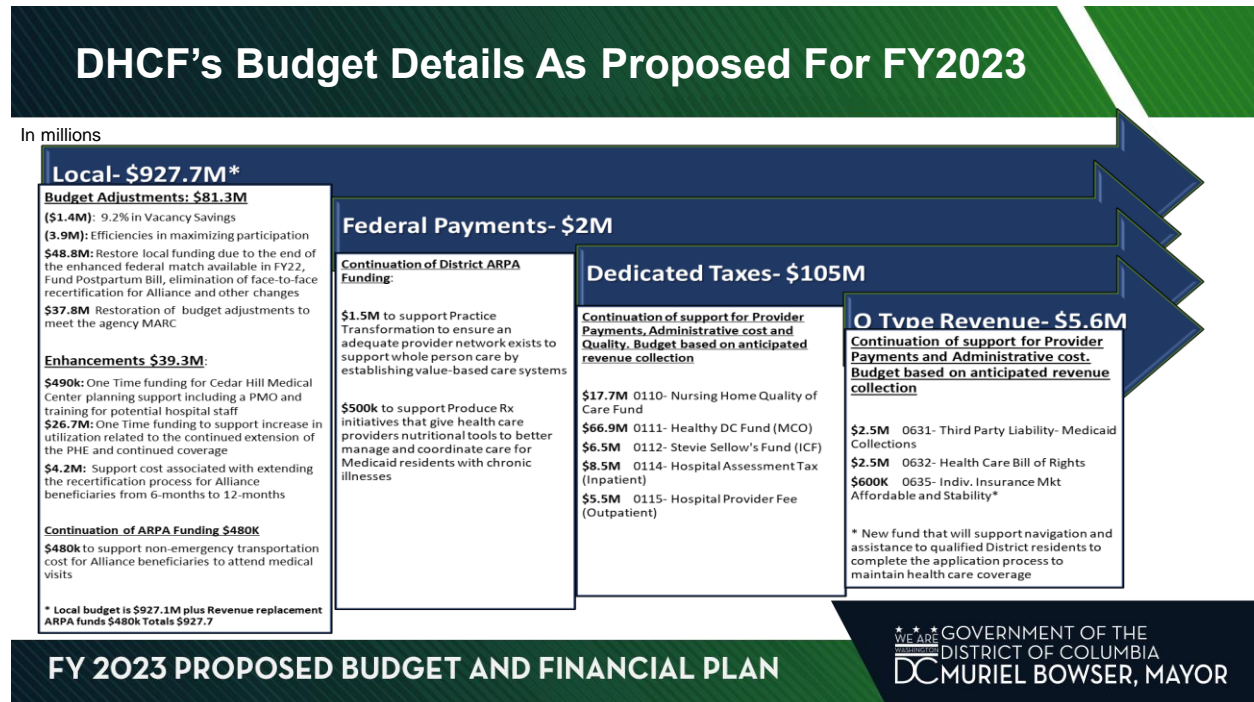
target. Added to this amount was more than \$39 million in program enhancements that were included by the Mayor. The agency was also able to produce a 9.2% vacancy savings (or \$1.4 million) which is 3% higher than in FY2022. Finally, DHCF's FY2023 budget includes a new O Type fund of \$600,000 to support assisting residents with completing applications for insurance on the individual marketplace to maintain health care coverage.

Program Enhancements. As noted, the Mayor funded program enhancements totaling \$39.3 million. Most of these funds support the associated costs with the continuance of the federal PHE through mid-April. As I discussed earlier in my testimony, the District must keep beneficiaries enrolled in the Medicaid program through the duration of the federal PHE—otherwise we forgo the enhanced federal support. Our program enrollment projections predict a decline once the PHE ends—but with the January extension of the PHE to April, the current higher enrollment will continue further into the year. Declines in enrollment are thus pushed further into the future, requiring additional funding to support care for District residents.

Chairman Gray, I know the personal importance to you of the Mayor's funding to allow Alliance beneficiaries to renew coverage only once a year. This is a welcomed end to a much-debated issue. When coupled with the elimination of the mandatory face-to-face requirement, the renewal process for Alliance beneficiaries will closely align with Medicaid.

The remaining two program enhancements support District hospitals that serve a high proportion of Medicaid beneficiaries. As with last year, included in DHCF's budget is \$8 million in grant funding for Howard University Hospital to cover the loss of Disproportionate Share Hospital (DSH) funding for the hospital—a problem that was created by a federal change to DSH law that produced the unintended consequence of a \$21 million loss in funds for the hospital. This grant ends in FY2023. The second enhancement is \$490,000 for planning support for the Cedar

Hill Medical Center project. The details of DHCF's FY2023 budget are shown below with the additions and subtractions ultimately resulting in a proposed budget of more than \$927 million in local funding.



Ensuring Access to Coverage and Services

Especially important in the FY2023 budget is the overall maintenance of the Medicaid and Alliance programs. Mayor Bowser's proposal ensures that the District remains a national leader in providing coverage to residents, as we strengthen our already comprehensive benefit package and access to services. I am pleased to share that Mayor Bowser's proposed budget for DHCF sustains our programs' foundational components—eligibility, benefits, and provider rates—at levels comparable to, or greater than, those observed in FY2022. This is crucial in ensuring stability across the Medicaid and Alliance programs as we continue to emerge from the pandemic. Building on this foundation, the budget also incorporates elements to strengthen the Medicaid and

Alliance programs over time to guarantee a more resilient public health care delivery system and a stronger, healthier, and more equitable DC.

Coverage. The District leads state Medicaid programs across the nation with some of the most generous eligibility levels. The extension of postpartum coverage from 60 days to one year will allow women who otherwise may lose coverage after 60 days to remain covered for an entire year. This coverage expansion will be effective April 1, 2022, and is supported through the FY2023 budget. For the Alliance program, the FY2023 budget maintains the removal of the face-to-face requirement for eligibility recertification. Combined with the new annual renewal requirement, we are removing barriers to continuous coverage for all District residents. Finally, the budget provides the funds needed to return to normal operations at a reasonable pace, maintaining the historical cadence for renewals and decreasing the likelihood that District residents will experience a lapse in coverage.

Health Care Services. The array of benefits available through the Medicaid program consist of both federally mandated and optional services. In the District, we cover nearly all optional services in addition to mandated services such as inpatient hospital care, physician services, federally qualified health clinic (FQHC) services, and transportation to medical appointments (see list of services on page 13). In FY2023, DHCF will implement doula services as a new optional benefit for beneficiaries in both the fee for service (FFS) and managed care programs. Recognizing the important role of pharmacists as a trusted and accessible health care provider, DHCF will expand allowable services by pharmacists to include tele-pharmacy, point of care testing for certain viruses, and medication management services. This service enhancement may also dampen beneficiaries' unnecessary use of emergency rooms for non-emergency services, which might also generate cost savings to the Medicaid and Alliance programs.

The Mandatory And Optional Benefits Funded in The Mayor's FY2023 Budget Are Comprehensive And Extensive

Mandatory Service Benefits	Optional Service Benefits
<ul style="list-style-type: none"> • Inpatient hospital services • Outpatient hospital svcs. (incl. Emergency Room) • EPSDT: Early and Periodic Screening, Diagnostic, and Treatment Services • Nursing Facility Services • Home health services • Physician services • Federally qualified health center services • Laboratory and X-ray services • Family planning services • Nurse Midwife services • Certified Pediatric and Family Nurse Practitioner services • Freestanding Birth Center services (when licensed or otherwise recognized by the state) • Transportation to medical care • Tobacco cessation counseling for pregnant women 	<ul style="list-style-type: none"> • Prescription Drugs • Clinic services • Physical therapy and Occupational therapy • Speech, hearing and language disorder services • Other diagnostic, screening, preventive and rehab. svcs • Podiatry svcs, Optometry svcs & Other practitioner svcs • Dental Services and Dentures • Prosthetics, Eyeglasses • Private duty nursing services • Personal Care • Hospice • Services for Individuals Age 65 or Older in an Institution for Mental Disease (IMD) • Intermediate care facility for Individuals with IDD • Adult Day Health Program • Inpatient psychiatric services for individuals under age 21 • Health Homes Programs

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Ensuring access to services is achieved not only through the array of covered benefits but also through the payment of adequate and equitable provider rates. Provider payments comprise 93% of the agency's budget and reflect the maintenance of provider rates in the FY2023 budget. You may see fluctuations in year over year changes, but the proposed budget reflects the projected service costs. These fluctuations are mostly attributable to three factors:

1. The end of enhanced rates made available under the federal PHE – meaning spending by provider type may appear lower because the budget assumes a return to the normal, pre-pandemic rate structure.
2. The full reflection of the transition of 17,000 beneficiaries from the FFS program to the managed care program. As the managed care program expanded in October 2020, costs shifted from fee for service Medicaid to managed care.
3. Policy changes that are not realized but were previously incorporated into our budget. For example, we planned for personal care aide (PCA) services to no longer be available under the State Plan Medicaid for EPD waiver beneficiaries, effective 2020. This shifted PCA spending from State Plan/FFS Medicaid into the EPD waiver and increased the EPD waiver

budget. However, this policy change will not be implemented, and projected spending will shift from EPD waiver to State Plan PCA.

The chart below shows the year over year changes for major provider types. The highest projected costs cover services provided by managed care, DD (developmental disability) waiver providers, skilled nursing facilities, and hospital provider types. Deserving special note is the increase to direct service professionals. The proposed budget targets a rate increase for those working in home and community-based settings for behavioral health, home health agencies, and IDD (intellectual and developmental disability) waiver providers. Their wages will be set to an average of 117.6% of the District's Living Wage or Minimum Wage (whichever is higher) beginning in FY2023, fully realizing the increase by FY2025.

For Several Reasons, Proposed FY2023 Provider Payments Vary Significantly From Those Approved In The FY2022 Budget

Provider Payment Category	FY2021 Expenditures	FY2022 Approved Budget	FY2023 Proposed Budget*	YoY Variance	Variance Explanation
Hospital	253,726,006	191,495,044	220,699,190	29,204,146	Alignment with anticipated utilization post pandemic in 15% inpatient and a decrease in DSH as a result of the changes in DSH requirements
Hospital Support Funding	9,900,000	8,000,000	8,000,000	-	0%
ICF/IID	98,625,562	109,758,823	92,556,719	(17,202,104)	Based on anticipated enrollment (XXX), FY23 includes -16% funding to pay increased DSP wages for FY21 and FY23 does not include enhanced rate but assumes rebasing
Skilled Nursing Facility	303,898,273	280,101,143	286,081,727	5,980,584	2%
Primary Care (Physicians, Clinics and FQHC)	96,373,867	99,627,598	69,156,102	(30,471,496)	-31% Assumes end of enhanced rates and "normal" utilization for FFS population post transition
Other (Medicare Part A, B, etc)	123,232,012	136,125,533	154,916,714	18,791,182	14%
DME	15,289,893	18,155,075	24,990,621	6,835,546	38% Includes assumptions in utilization and updates in Fee Schedule adjustments
Behavioral Health (Inc. BH Waiver)	152,854,816	165,838,412	158,235,140	(7,603,273)	-5%
Skilled Care	25,941,841	20,449,326	29,432,902	8,983,576	44% Alignment of Nursing Rates including inflation
LTCs (incl PCA and PACE)	181,910,430	166,808,814	87,793,560	(79,015,254)	-47% Assumes end of enhanced rates for PCA and ADHP, and a full year of PACE
DSNP	-	-	123,215,268	123,215,268	
EPD Waiver	170,957,106	203,578,632	210,349,699	6,771,068	3%
DD Waiver	308,558,556	294,924,043	313,866,978	18,942,935	6%
IFS Waiver	1,548	4,114,601	5,975,703	1,861,102	45% Assumes increase in enrollment in the waiver
Emergency Medicaid	30,027,240	34,995,382	31,855,709	(3,139,673)	-9%
MCO	1,598,723,474	1,475,732,863	1,516,854,052	41,121,188	3%
Permanent Supportive Housing	-	10,667,822	70,575,546	59,907,724	562% FY23 assumes a full year of implementation and increased enrollment
Total	3,370,020,624	3,220,373,110	3,404,555,630	184,182,519	

Note: FY23 Budget includes funds interagency funding that supports the provider payment category

FY2021

- Full Year of PHE
- Enhanced Provider Rates
- First Year of FFS Transition

FY2022

- 1 Qtr. of PHE Enhanced Provider Rates

FY2023

- Post Enhanced Rates
- Return to Regular Provider Rates
- New Utilization Trends
- Adjusted Enrollment

* Transition Population represents the FFS Population that shifted to MCO in FY21 (including SSI adults and Beneficiaries eligible for MCO but opted out).

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The phased approach is purposeful and balances providing immediate financial support to providers while revising the rate methodologies for federal approval. This is important as changes to the rate methodologies are necessary to allow for the proper oversight to ensure providers are complying with the wage requirement. Initially, the increased funding will be provided in FY2023 and FY2024 to providers through lump sum allotments which DHCF will make at the beginning of FY2023. By FY2025, the increased rate will be incorporated directly into the provider's rate.

Other states are choosing to use American Rescue Plan Act (ARPA) Section 9817 Home and Community Based Services (HCBS) funding for DSP wage increases. As our proposal illustrates, the Mayor is raising the wage that direct service workers receive—directly increasing the take home pay for the health care professional by significant amounts (see table below page).

DHCF Will Utilize HCBS ARPA Funds To Support Providers In Paying Direct Support Professionals An Average of 117.6% of Living Wage/Minimum Wage By FY2025

In response to the recent workforce shortage in Direct Support Professional (DSP) Workforce, DHCF will use HCBS ARPA funding in FY2023 and March 2024 and the District will support with local funds for fiscal years forward.

Mayor's Proposal

- Support HCBS providers, through the Medicaid rate; the ability to pay DSP's a wage above the living and minimum wages (whichever is greater). The current proposal aligns the concept of the original Bill (B23-214) to pay DSP's an average of 117.6% of LW or MW but expands it to cover the following DSP's: PCA's, Participant Direct Care Workers (PDW's in Services My Way an EPD Waiver service), DD DSP's, Certified Addiction Counselors (in MHRS- Mental Health Rehab Services and ASARS- Adult Substance Abuse Residential Services) that provide services to Medicaid participants in home and community-based settings. Providers will determine the rates they pay their DSP workers; however, they are required to pay an average of 117.6% of the LW/MW.
- This concept establishes a career ladder and promotes longevity by offering a range of pay from living wage (entry level) to \$4 more for a tenured DSP

How Will Funds Be Allocated?

- DHCF will allot funds in FY2023 and FY2024 in a lump sum allotment to each Provider based on DSP data provide- due October 1st including Schedule of DSP's, salaries, date of hire and vacancy rate
- The allotment will be issued in December and the requirement for Providers to pay qualifying DSP's new rate will be aligned with regular living wage adjustments on January 1st
- DHCF will complete a reconciliation at the end of the period to determine the increase in DSP wages over the year and the impact it had on the vacancy rate
- In FY2025, DHCF will amend the State Plan and Waivers to increase the rate methodology for the respective provider to support the impact of achieving the average of 117.6% for the DSP workforce

What Will the Allotment Cover?

- The increase will cover the cost of paying an average of 117.6% of living/minimum wage (whichever is greater)
- Fringe
- Administrative rate

Example: The example assumes that living wage continues to increase annually

	Living Wage	Mid Level	Higher Level
FY2023	\$16.10	\$18.93	\$22.37
FY2024	\$16.45	\$19.35	\$23.20
FY2025	\$16.82	\$19.78	\$24.05

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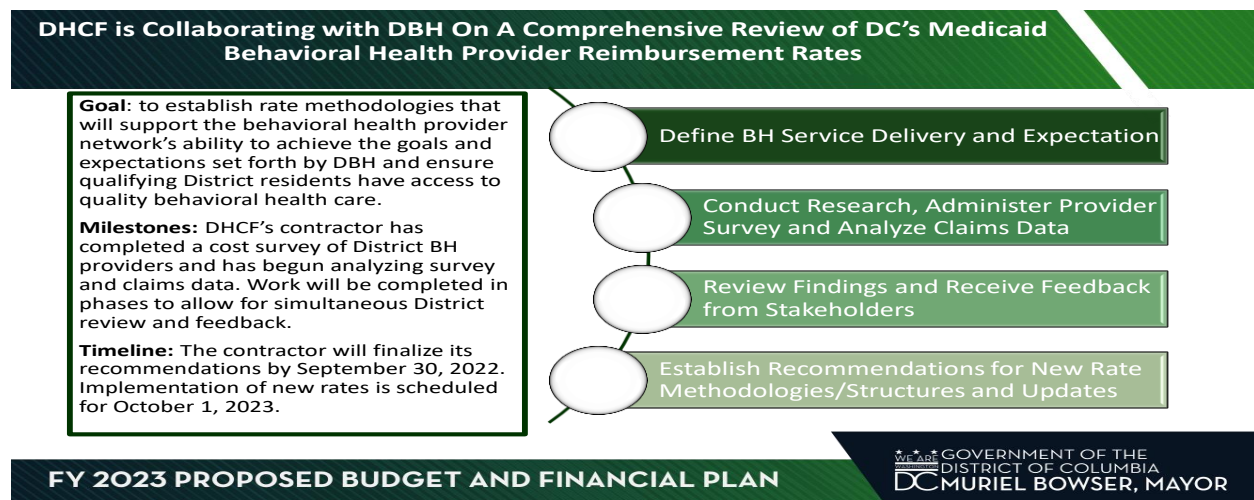
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For example, the current DC Medicaid rate for home health agencies—through which many direct care workers are employed—is \$22.56. However, this rate is inclusive of the living/minimum wage for the direct care worker plus the administrative costs borne by the HHA.

Some advocates and state proposals represent the overall rate to the agency as the wage level, though only a portion will go the direct care work. It is important to recognize these differences as 100 percent the rates funded by the Mayor and reported on page 16 are allocated to the worker.

There are other ways—in addition to rate increases—where we can support providers and the overall delivery system. It is through this lens that we are leveraging new federal opportunities. For example, we are targeting ARPA HCBS initiatives to support providers in recruiting and retaining direct care workers. This is in addition to the rate increase initiative described above. These bonus payments will alleviate the pressure on providers to utilize revenues reserved to cover the cost of providing services.

The FY2023 budget also provides inflationary increases for Mental Health Rehabilitation Services and Adult Substance Abuse Rehabilitation Services—the first in years. We have acknowledged that behavioral health providers require a complete rate adjustment to reflect year over year rising costs to meet service expectations. Therefore, we are engaged with the provider community and the Department of Behavioral Health in a comprehensive rate study of behavioral health services. The rate study is underway, and the results will inform the agency’s FY2024 budget proposal. The schedule for this effort is shown below.



Strengthening the System. The federal American Rescue Plan Act (ARPA) provides states with a temporary 10 percentage point increase to the federal medical assistance program (FMAP) for Medicaid HCBS. States must use funds equivalent to the amount of federal funds attributable to the increased FMAP to implement activities that enhance, expand, or strengthen Medicaid HCBS. Unlike other enhanced FMAPs where the additional federal funds decrease the amount of local funds necessary to fund services, the District must maintain its full local commitment to HCBS. Further, any initiative must be sustainable beyond the duration of the enhanced funding.

ARPA gives states the authority to fund initiatives that are traditionally unallowable through the Medicaid program. It also broadens the definition of HCBS to be inclusive of behavioral health services and providers. Hence, the typical constraints we are challenged with in the Medicaid program are absent, hence creating a singular opportunity to transform the HCBS delivery system and support equity for individuals primarily served through the Medicaid program.

As we heard at our oversight hearing in February, many providers and stakeholders expressed their desire for the District to use the ARPA HCBS funding to increase rates. However, we have existing mechanisms to adjust rates as needed – they are the routine and normal operations of a Medicaid program. As shown, the FY2023 budget reflects the commitment to increase wages for direct service professionals to 117.6% of Living Wage or Minimum Wage over the next three years without using a significant portion of ARPA HCBS funding.

It is for that reason that we are utilizing the ARPA HCBS funding for initiatives that are not traditionally allowed through the Medicaid program so that we can further enhance the home and community-based system. Through the ARPA HCBS funding, we will support HCBS providers in both the short- and long-term. This includes funding to facilitate the recruitment and retention of direct service professionals, vaccine incentives for HCBS providers, incentive

payments and technical assistance to support provider adoption and use of digital tools, and other training and professional development programs. This influx of funding into the HCBS system will provide a new layer of support for providers above and beyond the traditional mechanism of payment rates.

Reforming Medicaid. The District's Medicaid program is transitioning to a fully managed care program. Today, over 81% of beneficiaries receive care through a managed care plan in the Healthy Families program, CASSIP, or the newly expanded District Dual Choice program. In FY2023, we will expand the array of options for better integrated care for Medicaid beneficiaries participating through the PACE program and through the implementation of new managed care contracts.

As I detailed in my oversight testimony a month ago, we are in the middle of the managed care program solicitation. The District is still currently on schedule to meet the estimated award date of June 30, 2022. When awarded, the contracts will be for a five-year base period with one five-year option period. We are hopeful that extending the base period of the contract will bring stability to the managed care program after multiple protracted procurements.

One of our four strategic priorities mentioned earlier—to ensure value and accountability—means that we will make substantial efforts to move partly away from traditional volume-based health care payments to payments based on value that support positive member health outcomes and cost savings. The transition to these new reimbursement methodologies will allow the introduction of provider flexibilities to innovate and deliver more equitable and integrated care, including creating new care models and teams that the current methodologies do not support.

Beginning October 2022 and continuing through 2027, the DHCF's value-based payment (VBP) policies require increased use of payment methodologies that emphasize quality rather than

quantity of services provided through the MCOs (managed care organizations). To provide the vision for, and parameters of, the VBP expectations, DHCF will be developing a VBP Roadmap and drawing on lessons learned from other states like Oregon, California, and New York which have a rich history in health care transformation. VBP allows providers' control to be more accountable to the care they provide and allows them to enhance staff salaries if they can control costs without lowering the quality of care. The FY2023 budget continues the District's commitment to assist providers so they can be successful in the transition to VBP through various technical assistance opportunities, including Integrated Care DC, RevUp DC, and the business transformation grant.

Capital Funds For Cedar Hill Regional Hospital – GW Health

Mr. Chairman, I conclude my testimony by drawing your attention to the Mayor's FY2023 proposed capital budget, which includes an additional \$15 million to construct the new hospital—this is a 4% increase in the overall project cost. The increase is due to three factors:

1. The hospital was designed and budgeted for in 2019, prior to the emergence of COVID-19. The partners incorporated lessons learned during COVID into the design – for example the use of 100% outdoor air HVAC systems.
2. Inflation, global and national supply chain shortages, and market conditions have increased the cost of non-residential construction and new health construction by 12% from October 2020 to 2021—with uncertainty about future trends.
3. The hospital partners made a strategic decision to build a larger diagnostic and treatment area to accommodate future growth and potential health emergencies.

It is important to note that Universal Health Services will contribute \$5.5 million to assist with the additional costs associated with the larger diagnostic and treatment center.

Workforce Training and Project Management. In addition to this proposed capital outlay, the budget includes \$250,000 in operating funds for the District to establish voluntary training

courses for any United Medical Center staff interested in working at the new hospital, who might also need to upskill or reskill to meet the new hospital's hiring requirements. This reflects prior legislation and associated agreements. The funds will be used for a 3rd party construction project manager to be overseen by DHCF.

Conclusion

Mr. Chairman this concludes my testimony on DHCF's proposed budget for FY2023. As has been demonstrated, the Mayor continues to fund health care through the Medicaid and Alliance programs at levels that support expansive coverage to promote critical access, as well as comprehensive services to ensure the enrollees receive the full range of preventive, diagnostic, emergency, specialty care and acute services. My team and I are happy to address any questions from you and others on the health committee. Thank you for this opportunity to testify.